

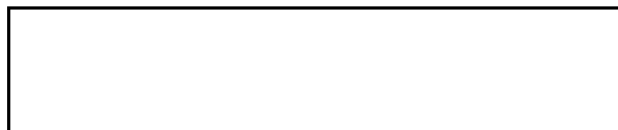
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18 January 1952



CIA No. 49505

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA review(s) completed.

State Dept. review
completed

NAVY review(s) completed.

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SECTION 2 (EASTERN)

2. EGYPT. American Ambassador in Cairo opposes dispatch of US military assistance to Canal zone: According to the US Ambassador in Cairo, the dispatch of American warships or other military contingents to the Suez Canal zone in compliance with the British request for assistance would endanger the establishment of the proposed Middle East Command. [REDACTED]

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Comment: The Egyptian Government has already publicly warned that it would consider foreign military assistance to the British authorities in the Canal zone as a "hostile act."

3. JAPAN. Foreign Office feels USSR may release a few POW's: The reaction of most Japanese to Stalin's New Year's message has been to point out the Soviet record on the prisoner of war issue and the consequent hollowness of the message, according to a Japanese Foreign Office official. The same source felt that if the Russians are sensitive to Japanese reaction and wish to woo the Japanese, they may try to obtain good will with a trickle of repatriation. [REDACTED]

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Comment: Although the Japanese Government estimates that as many as 77,000 Japanese may still be alive in the USSR, it is difficult to see how the USSR could repatriate more than a few hundred, since the Japanese press has quoted spokesmen of the Soviet Mission as stating that repatriation has been completed. The only Japanese still in the USSR, according to the spokesmen, were 1479 "war criminals," of whom 971 had been sent to China.

SECTION 3 (WESTERN)

4. ITALY. Italians reportedly seek deal with British regarding recruitment of workers for Suez: The Italians are reportedly trying to arrange a deal whereby the British will be allowed to recruit semi-skilled Italian labor for the Suez Canal zone on condition that Britain import Italian workers for its coal mines. [REDACTED]

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Comment: The British would like to obtain 14,000 semi-skilled Italian workers for the Canal area. The Italians, however, in view of their large unprotected minority within Egypt and their desire to maintain good relations with the Arab states, are not likely to permit the British to recruit any considerable number of workers in addition to those already in the Suez area.

5. TUNISIA. Indonesian UN delegate thinks Tunisians may precipitate incident to justify Security Council consideration: Even though he feels that the Tunisian petition does not justify UN discussion in either the General Assembly or the Security Council, the chief of the Indonesian delegation to the UN believes that the Tunisians are capable of causing "sufficient trouble to justify even Security Council consideration." The delegate requested US assistance in persuading his government that Indonesian sponsorship of the Tunisian case would be unwise. [REDACTED]

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Comment: Indonesia has given considerable moral encouragement to Tunisian nationalists.

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DAILY DIGEST

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SECTION 1 (SOVIET)

1. USSR. Soviet Union imposes new travel restrictions on foreign diplomats: The Soviet Government has enlarged the restricted travel area for foreign diplomats to include key localities in the vicinity of Moscow as well as twenty-two cities in European Russia and Siberia. [REDACTED]

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Comment: This action has the effect of further limiting foreign knowledge of defensive installations surrounding Moscow. Five of the cities are located on the Trans-Siberian railroad west of Lake Baikal. With these additions to previous restrictions, all possibility of observing this main artery for the supply of war materials and industrial goods to the Far East and the Korean front is eliminated.

2. Polish delegate asserts General Assembly developments favor Soviet Union: In a conversation with the US UN delegation, Katz-Suchy, the Chief Polish UN delegate, commented that the current General Assembly session favored the USSR but "in a negative way." Katz-Suchy elaborated that although the General Assembly had given no concrete victories to the Soviet Union, it had revealed a weakening of US leadership and diminishing agreement among the non-Soviet members.

The Polish delegate cited the 19 ballots required to elect Greece to the Security Council and the numerous abstentions (11) on the Soviet resolution condemning a part of the 1951 US Mutual Security Act. Katz-Suchy added that the 1952-53 General Assembly sessions would be critical since those years would be ones of "supreme tension" between the United States and the Soviet Union. [REDACTED]

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Comment: Soviet accounts of General Assembly votes on such matters as armaments, the Collective Measures Committee report or other Western-sponsored resolutions, consistently emphasize the number of abstentions or the modifications the US was "forced" to make. While the reported remarks on the current General Assembly sessions quite likely reflect the Soviet viewpoint, Katz-Suchy's more general statements are not necessarily indicative of Soviet intentions.

3. ALBANIA. Second Workers' Party Congress scheduled: The Second Congress of the Albanian Workers' Party is scheduled to begin 31 March 1952. The agenda of the congress will include: 1) a report on the activities of the Central Committee by Enver Hoxha, 2) a report on the relationship between the economic and cultural development of Albania during the Five Year Plan by Mehmet Shehu, 3) a report of the Committee for Revision and 4) the election of the Central Committee. [REDACTED]

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Comment: The first Congress of the Albanian Workers' Communist Party was held in November 1948 and dealt mainly with the problem of national deviation. Since 1948 some of the members of the Central Committee have been demoted or dismissed from their important government positions.

4. CZECHOSLOVAKIA. Government liquidates small semi-private owners: The government has liquidated a large number of small shops including those which had been brought under national enterprises and cooperative associations. Semi-private employees, including large numbers of taxi-drivers, have recently been forced to quit and find jobs through government labor offices. [REDACTED]

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Comment: These actions of the Czech regime illustrate the varied methods of thinly disguised force which have been used over the past year to meet the continuing industrial manpower shortage which has reached the state of a continuing crisis.

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6. HUNGARY. Exports to Near and Far East and Latin America pushed: Recent Hungarian press reports predict a major effort in 1952 to increase Hungarian exports of vehicles, textiles, chemicals, machinery and equipment to raw material producing countries in Asia, Africa, South America and Australia. [REDACTED]

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Comment: Hungarian exports before the war consisted two thirds of agricultural products whereas agricultural products now make up only one half of the country's exports. Deliveries to Western Europe are primarily agricultural while those to Latin America and the Near East consist mostly of manufactured goods. Eastern European efforts towards expanding trade with backward areas in the Near East and Latin America have been underway for some time. They are meeting with success since East European countries can undersell Western competitors in these markets.

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In return, Hungary is particularly interested in obtaining raw materials such as scrap metal and cotton from the Near East and wool, hides, industrial diamonds, copper, henequen and sisal from Latin America. The future success of this trade is limited by the capacity of shipping which is short and by Hungary's willingness to export manufactured goods.

7. YUGOSLAVIA. Interior Minister Rankovic criticizes party laxity and calls for more self criticism: In a speech before Communist Party members of the State Security Police (UDB), Alexander Rankovic called for the exercise of more "criticism" and "self-criticism" among party organizations to combat "the spirit of pure bureaucracy" which has caused certain party leaders to neglect the political fight against the enemies of socialism.

Rankovic suggested greater party democracy, freedom of expression within the party organizations - self-criticism - as the remedy for current party weaknesses; but warned against the presence of "petty-bourgeois elements who think democracy gives every party member freedom of action."

In addition, Rankovic stressed that the basic objective of the UDB is to protect the security of the country and its socialist development from enemies of all kinds but that it must also "enforce the law and defend the rights of every individual citizen." [REDACTED]

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Comment: The Rankovic speech constitutes another indication that party discipline has probably been weakened by time and events during the past few years. His allusions to the need for more party democracy -- self-criticism -- within the framework of Yugoslav Communism, reflects the ever present dilemma faced by the regime: how to enlist popular support, enthusiasm, and imagination for party programs without compromising party discipline and thus threatening the monolithic nature of the party structure and operation.

The role of the UDB, as a result of the state's relaxation of strict controls of earlier years, presents a particularly difficult problem to the regime. On previous occasions, the security police have been reprimanded by Rankovic for arbitrary and overzealous actions against the populace. The problem of educating local police and party officials has, however, proven to be a difficult task.

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SECTION 2 (EASTERN)

- 25X1 1. GREECE. Marshal Papagos urges new elections: Marshal Papagos, leader of the opposition in Parliament, has reiterated to the American Ambassador his determination not to collaborate with Deputy Prime Minister Venizelos, whom he distrusts. The present government, Papagos believes, is damaging Greece by its release of dangerous Communists, by political meddling in the army, and by failing to deal with pressing economic problems. Papagos urged the Ambassador to use his influence with the King for the dissolution of Parliament and for holding new elections on the majority system. [REDACTED]

Comment: Marshal Papagos has steadily opposed collaboration with any other party and has continued to call for new elections. Recent governmental moves, replacing pro-Papagos army officers and pressing for an investigation of the rightist officers' organization, have apparently strengthened this attitude and there is little hope for effective cooperation between Papagos and Venizelos. While the government has obviously been lax in its screening of the political prisoners it has released -- possibly a thousand persons have been set free -- Papagos has exaggerated his criticism in the hope of enlisting the Ambassador's support.

- 25X1 2. IRAN. Iranians increase pressure for US aid: The Iranian Minister of National Economy, stressing to the American Ambassador Iran's need for sugar, stated that although Iran is currently attempting to obtain as much sugar as possible from the USSR, this would take time, and the government had only a three-month supply on hand. He suggested that Iran be given a three-year credit of 16 million dollars, perhaps from Point IV funds, to purchase sugar from non-Soviet sources. When the Minister was queried regarding the stock of sugar on hand, he admitted with some embarrassment that it amounted to more than 100,000 tons -- more than enough, according to the Embassy, for one year. The Embassy comments that this request appears to have been made to ascertain the American attitude toward bolstering Iran's budgetary position by giving assistance in this form. [REDACTED]

25X1 Comment: Iranian pressure for US financial aid has increased concurrently with the deteriorating financial situation. The previous day Mossadeq had informed the American Ambassador that the sugar situation was desperate and that Iran had been discussing with the Russians an increase in Iranian-USSR trade in sugar and other commodities. [REDACTED]

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4. India unlikely to intervene in Indochina dispute: The Indian Consul General in Saigon informed the US Legation that his government had given some thought to what role it might play in the present Indochina crisis, but had rejected any idea of tendering its good offices unless asked to do so. [REDACTED]

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Comment: The rapidity with which French Foreign Minister Schuman's recent hint at a negotiated peace in Indochina was communicated to the Indian Consul General in Saigon by his government led to some speculation that India might be intending to press for mediation of the conflict.

5. CHINA. Chinese Communist food production reportedly increased: The preliminary Communist estimate of food production in China during 1951 is 130,065,000 tons, or ten million tons higher than the 1950 output,

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Comment: Increased food production would indicate that Communist China's economy, which is predominately agricultural, has not been critically affected in spite of the strains of the Korean conflict. Although final figures will probably vary from the preliminary estimate given above, the Chinese Communists appear to have been successful in at least maintaining the 1950 level of agricultural output, from which Peiping was able to export over a million tons.

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6. Chinese Communist seamen employed on Polish-flag vessel: The Polish Ocean Lines freighter Pulaski (7,089 GT) transited Singapore on 5 October with a total complement of 67 officers and men, 15 of them Chinese Communists. A Chinese served as assistant captain of the vessel.

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Comment: The Poles have undertaken to train Chinese crews and deck officers for the Chinese Communist merchant marine and possibly for a jointly operated Sino-Polish shipping company. This training is reportedly given at maritime schools in Poland and may also include actual service on Polish-flag vessels.

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SECTION 3 (WESTERN)

1. BELGIUM. Belgium takes firm stand rejecting TCC's recommendations: Belgian Foreign Minister Van Zeeland has refused to consider withdrawing his country's note rejecting the NATO Temporary Council Committee's recommendations for increased Belgian defense expenditures. Claiming domestic approval, he reiterated Belgium's opposition to the Committee's procedures and stated that his country was not alone in thinking that the rights of the smaller countries were at stake. Van Zeeland suggested that the only solution would be for another group of twelve representatives to discuss comparative national contributions. [REDACTED]

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Comment: Belgium's intransigent attitude on this question and on the European Payments Union may be extended to its position on the European Defense Community, notwithstanding the recently announced modification of the Dutch stand.

2. SWITZERLAND. Swiss economic measures to control EPU surplus meet with strong opposition: The Swiss Government's recent measures to control Swiss surpluses in the European Payments Union are being strongly criticized. Watch manufacturers and liberal economists emphasize the contradiction between EPU goals of trade liberalization and the actual practice of additional trade controls. The measures instituted restrict transfers of capital, tighten control over tourist receipts, re-establish clearing exchange controls on payments with Belgium, and establish quotas on exports to the sterling bloc.

Mutual Security agency officials in Paris believe that the restrictions on sterling bloc trade will result in cutbacks of exports of machine tools and chemical products, and that this may have a temporary adverse affect on Britain's defense effort. Because of shortages of raw materials and skilled labor, the British at this time must import a sizeable amount of machine tools.

While these new Swiss regulations do not entirely fit in with the trade liberalization objectives of EPU, they are necessary for control of Swiss surpluses in EPU. Observers feel the restrictive trade measures imposed are not likely to impair the prosperity which Switzerland's participation in EPU has enabled it to maintain on record levels.

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3. UNITED KINGDOM: Government "accepts" TCC recommendation for increased British coal exports: In their official comment on the TCC's 18 December report on the economic capabilities of the NATO countries, British government leaders "in general accept" the main recommendation for an increase in British coal exports. The government will take action, "insofar as it is practicable to do more than has already been done," to put the recommendation into operation.

Noting the TCC view that Britain's present economic strain allows no immediate consideration of an increase in its present defense efforts, the British point out that fulfillment of even the present program depends on additional steel and on the solution of the balance of payments problem. [REDACTED]

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Comment: There appears to be little that can be done at the present time to carry out the TCC recommendation unless drastic and unpopular measures, such as the direction of labor and further restrictions on coal consumption, are undertaken. Although coal production has risen slowly but steadily during the past several years, coal consumption has also increased at the same rate. Because of rearmament requirements, it is difficult to see how domestic consumption of coal can be appreciably reduced.

4. MOROCCO. Anti-Americanism among natives is increased by Soviet broadcasts. A greater number of native Moroccans are becoming anti-American, due in part to the increasing popularity of Radio Moscow broadcasts. Various nationalists suspected of being pro-American have received threatening, anonymous letters. [REDACTED]

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Comment: The discriminatory double wage standard, which the French compel American air base contractors to use when employing native labor, is more damaging to American prestige among the Moroccans than any broadcast beamed toward the area by Radio Moscow. This wage policy and US collaboration with the French in the UN are used by the Communists to support their charges of American imperialistic designs.

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6. CUBA. Communists increase activity relative to children's welfare conferences: Recently there has been considerable activity in Cuba by known Communists and fellow travelers in connection with the International Conference for the Defense of Children. Groups are being organized in all parts of the country to determine the most urgent needs of poor children, and four commissions of the National Organizing Committee are studying the national aspects of the situation. These investigative activities will serve as the basis for the first National Conference in Defense of Children to be held in Havana on 1-3 February. An international conference is contemplated for Vienna in April.

The US Embassy in Havana comments that the Defense of Children in Cuba is an entirely Communist-dominated group whose activities will be connected with the work of the Democratic Federation of Cuban Women. This federation has consistently used the question of child welfare as one of its strongest points in organizational work. [REDACTED]

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Comment: The International Conference for the Defense of the Rights of Children is sponsored by the Communist World Federation of Democratic Women. The children's campaign and the conference are linked with the Soviet "peace" offensive and act as a device to secure additional supporters.

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